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STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
LANSING

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Analysis of Enrolled House Bill 5174

Topic: Motor Vehicle Leases for Military Personnel
Sponsor: Representative Polidori
Co-Sponsors: Representatives Rick Jones, Garfield, Sak, Miller, Simpson, Espinoza, Angerer, Constan, Brown, Wojno, Farrah, Gonzales, Vagnozzi, Marleau, Hansen, and Dean on original bill. Thirty-two members signed on later.
Committee: House Banking and Financial Services
House Military Affairs and Veterans Affairs and Homeland Security
Senate Senior Citizens and Veterans Affairs

Date Introduced: September 6, 2007

Date Enrolled: May 14, 2008

Date of Analysis: May 16, 2008

Position: The Department of Labor & Economic Growth supports the bill.

Problem/Background: The Service Members Civil Relief Act (SCRA) provides a number of protections to service members and their families, including the right to terminate a motor vehicle lease under certain circumstances. The origins of the law have been traced back to at least the Civil War, when Union soldiers and sailors were granted protection from civil actions by Congress. The onset of World War I resulted in the Soldiers' and Sailors' Civil Relief Act of 1918. With the end of the war the act was allowed to expire. The current act originated as the Soldiers' and Sailors' Civil Relief Act in 1940 and was substantially modified and renamed in 2003.

The protections provided by the law are not automatic. They are triggered by notices to individuals, businesses, and institutions that the service member has been placed on active duty.

Description of Bill: The bill is entitled the Military Personnel Motor Vehicle Leasing Act. It permits a service member deployed on active duty for 180 days or more to terminate certain motor vehicle leases. The service member's spouse may also terminate the lease. Leases must meet the following requirements to be eligible for early terminate by a service member or spouse.

- Entered into on or after the effective date of the act.
- Executed by or on behalf of the service member as a lessee.
- Is executed before deployment.

The termination is effective on the date of notification and return of the vehicle to custody or control of the lessor. The notification must be by certified mail with return receipt requested and include a copy of the military or gubernatorial orders calling the service member to active duty and a copy of any orders

further extending the period of active duty. The motor vehicle must be returned to the custody or control of the lessor within 15 days after delivery of the written notice.

The lessee terminating a lease is required to pay any past due lease payments and a pro rata share of any current lease payments owed. The lessor may not impose an early termination charge. The lessee is required to pay any taxes, court costs, title or registration fees, and any other obligation and liability of the lessee under the terms of the lease. These obligations could include reasonable charges for excess wear, use, and mileage. The lessor is required to refund advance lease payments within 30 days.

Before the effective date of a motor vehicle lease termination, a lessor may bring a civil action and, if appropriate, obtain equitable relief from all or part of the lessor's obligations to the lessee under the act. The Attorney General may file a civil action in which the court may impose a civil fine of up to \$1,000 on a lessor violating the act. The fine money would be deposited in the Military Family Relief Fund created by the Military Family Relief Fund Act.

Summary of Arguments

Pro: Service members and their families will benefit, because the incorporation of these provisions into Michigan law and the associated civil fine will provide an additional incentive for compliance.

Con: The proposal provides only one option for notifying the lessor, while federal law provides three. Federal law permits the notification to be provided by hand, by private business carrier, or the United States mails. Furthermore, the mail option under federal law requires only return receipt requested.

Response: Certified mail will provide greater accountability.

Fiscal/Economic Impact: There is no budgetary or revenue impact on the department or state.

Local Government: The bill will have no impact on local governments.

Other State Departments: The Department of Military Affairs has an interest in this bill.

Any Other Pertinent Information: None.

Administrative Rules Impact: None.

